REPORT

(ABRIDGED)

OF

DR. ADAM SHORTT

Commissioner Investigating

The Economic Conditions and Operations

OF

The British Columbia Electric Railway Company *and* Subsidiary Companies

and to decide definitely as to the possibility of street car service being maintained in competition with the jitneys.

VANCOUVER, CANADA

NOVEMBER 5, 1917

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ALTHOUGH in this booklet the street railway and its property have been referred to, it is the service of the street railway that is at stake. The problem is not whether this or that company may make a reasonable return so much as whether the public will get good transportation service.

¶ If we have referred at any time to the necessity for consideration of our problems—an adequate return, relief from competition and so forth—it is only because a solution of these problems is necessary to good street car service.

¶ The Company is not here to deprive the public of something. It is not true that where the Company loses the public gains. The public and the street railway company are partners, each with a stake in the other's welfare.

¶ We hope this report will shed light upon the condition of the street railway industry and point out ways in which the public may assure themselves of good service in the future.

¶ The future will depend upon a readjustment of conditions which made the street railway progress from the slow, unsatisfactory horse-car to the fast, comfortable, safe electric car.

¶ Refusal on your part to grant relief from the oppressive economic burdens which now beset the street railway can only result in stifling the growth of the street railway and with it the growth and progress of the community it serves. On the other hand, if you want to be fair to yourself, allow the street railway that incentive to progressive service which only a fair return on its investment can give.

¶ The B. C. Electric Railway Company hopes for a renewed interest on the part of the public in its activities. We believe that the best service can come only from sympathetic co-operation between all parties concerned—the public, the local governments and the company.

¶ Owing to the exigencies of space, it has been found necessary to abridge parts of this report, but wherever possible the essential findings of Dr. Shortt have been printed in full. Copies of the full report may be had on application to the Company.

B. C. ELECTRIC RAILWAY COMPANY,

GEORGE KIDD, *General Manager.*

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I. THE B. C. ELECTRIC SYSTEM

THE capital invested in the public utility properties of the B. C. Electric Railway Company and its subsidiary companies, as referred to by Dr. Shortt, amounts to nearly $50,000,000. The actual capital obtained from the sale of stock and debentures, amounting to more than $44,500,000, is about equally divided between the two classes, shares and bonds.

There is a reserve fund, obtained partly from the sale of capital issues at a premium, amounting to $3,062,-388; a renewals maintenance reserve of $5,154,428; and an accident reserve of $322,849, part of which reserves, being invested in the assets of the Company, bring the investments up to nearly $50,000,000.

In going over the items which legitimately represent investments in the public service, Dr. Shortt has eliminated $3,785,460 from the total for property, plant, etc., of $47,232,277, and taken the remainder, $43,446,816 as the amount on which a reasonable [illegible] may be calculated.

Concerning the C[illegible] relations with the communities served, which underlie all public utility operation, Dr. Shortt says:

"Taking the mainland system first, the most essential fact to be recognized is that though the City of Vancouver and the circle of municipalities which adjoin it are separate and independent corporations, yet in point of economic and social relations the citizens of these municipal areas constitute in reality one single and interdependent centre of population and business. Were the constant intercourse between the various parts of this common social and business area interrupted or substantially impaired, the most serious consequences would immediately result.

"In the district of Vancouver, as elsewhere, thousands of citizens reside in one municipality while earning their living in another. Thousands of others depend for a large part of their income upon the sale of goods and services to the citizens of adjoining municipalities, while in their turn depending upon the supplies and services of other citizens in other parts of the same circle of municipalities. Again, hundreds of citizens of one or other of these municipalities live entirely by maintaining the means of intercourse and distribution between them. It is impossible, therefore, for any of these municipal corporations, and more particularly for the City of Vancouver itself, to treat the essential elements of intercommunication between them as matters in which they are not vitally interested, financially and otherwise. The mere fact, therefore, that the legal relations of the municipality of Vancouver City to the British Columbia Electric Railway Company are specified in a charter which ignores the wider relations and obligations of each and the wider areas beyond the arbitrary and accidental limits prescribed for the city, cannot justify either or both in ignoring in point of fact or in practice the actual unity of the larger area of population and economic interest. Moreover, the more intelligent and far-sighted citizens of this civic centre should not permit the temporary corporate interests or jealousies of the present municipal subdivisions to jeopardize their own larger vital interests, or those of the Province of British Columbia, the Dominion of Canada, or the British Empire."

II. PERIOD OF EXPANSION AND DEPRESSION

WHEN, in 1897, the Company undertook to develop a comprehensive system of transportation for the Vancouver district the population of the city and district was quite limited. In 1901 Vancouver and New Westminster contained about 32,500 people. With the era of development and prosperity which set in immediately after that time, through the increasing influx of capital and population, there resulted an enlargement of area and an encouragement of enterprise and speculation which had the natural effect of enlarging both the need and inducement for an expanding system of local transportation. The British Columbia Electric Railway Company thus found that it had entered the Vancouver field at a very opportune moment. Expansion was not only permitted and justified, but urged and demanded by all elements of the population with ever increasing importunity. It was not sufficient to build or extend lines as the actual increase of population required and justified a more extended service. The lines were demanded in order to meet prospective needs and even to induce building and settlement in suburban areas as yet very sparsely settled. For years this policy of expansion was not only constantly urged upon the Company, but in actual practice was being as constantly justified.

"Still the rate of expansion, though without precedent anywhere else in Canada, never seemed to satisfy either public or private demands. In Exhibits 20 and 21 will be found correspondence, private and official, urging ever more rapid extension of the Company's services.

"Living and operating in an atmosphere of such phenomenal growth and optimism for upwards of fifteen years, where, with the exception of a temporary pause in 1907-08, almost every year surpassed the last, both in volume and ratio of expansion, there is little occasion for surprise that the Company expanded so rapidly and so far, but rather that it had not more fully outrun the existing needs of the districts which it served.

"Obviously a street railway system which, though one of the most necessary and permanent services in modern urban districts, is yet wholly tied to local areas, suffers exceptionally from the stagnation of trade and especially the shrinkage of population. Under these circumstances the B. C. Electric found itself confronted with the maintenance of certain services in outlying districts which had been opened in response to the demand for further extension, but which extension had been arrested before sufficient population had been established to meet the primary costs of the service. In this connection it must be remembered that long before a sufficiently permanent population is settled in a suburban district the street car traffic in that district may be both extensive and profitable owing to the large number of workmen to be carried to and fro, not to mention the materials to be transported while the residences of the subsequent permanent population and the streets, including water, sewage and other conveniences, are being constructed. Arrested development in any suburban area is, therefore, a very serious matter for the revenues of a street railway line serving such an area. At the same time those citizens who have built their homes in these areas and are living there in the confident expectation that the transportation line which was built to serve the district will continue to be operated, have substantial rights which cannot be lightly neglected either by the street railway company or their fellow-citizens in other and more fortunate parts of the common

urban district, even though under different municipal corporations. This merely illustrates and emphasizes the fundamental principles in the treatment of modern public services that the area occupied by a common urban population must be treated as a whole and the interests of all elements in a population clustering around a common civic centre must be duly considered and safeguarded to the greatest possible extent."

The depression which Dr. Shortt refers to had a direct effect upon the earnings of the B. C. Electric Railway Company, especially in its transportation service, and as will be seen, this branch of the Company's business was hit doubly hard by the coming of the jitney.

Effect on Capital

In the years 1914, 1915 and 1916 the gross earnings of the electric railway system fell from $4,037,132 to $2,499,973, a decrease of 37 per cent. The total revenue of the Company in two years dropped from $7,188,964 to $5,105,027, or 29 per cent., while operating expenses dropped only 22 per cent. in the same period, indicating that the revenue fell considerably more than the operating expenses. These records affected the return upon capital invested so that in 1914 the percentage was 4.69; in 1915, 2.60, and in 1916 2.13. On the total capital invested the return was only 1.85 per cent., but on the basis of an allowable capital of $43,446,816, this may be taken as practically 2 per cent.

The net income of the Company for 1916 amounted to only $875,182, whereas the amount required to pay interest on debentures is $987,681 annually, necessitating a draft upon the Company's reserve, which was done.

"Although the returns for June of this year," says Dr. Shortt, "will be materially affected by the strike, yet the Company may be able to meet its fixed charges for the year. At the present time, however, it is not a question as to whether the Company can pay any dividends of even the most modest proportions, but whether it can maintain an equilibrium between income and fixed charges."

A perusal of the returns of the various departments of the Company causes Dr. Shortt to say:

"From these returns it is plain that the most serious financial embarrassment to the Company during the past three years has come from its passenger-carrying or street railway service, and that the heaviest losses were incurred in Vancouver City and the New Westminster interurban services. As we shall find, it is just here that the jitney opposition has been the most severe."

Tabulations of statistics referred to by Dr. Shortt leave no doubt that the jitney was responsible for a rapid falling off in the street railway traffic and therefore in the returns of the Company. The fluctuation occurred between summer and winter travelling, jitneys appearing in good weather and temporarily for Christmas business. Instead of there being an exceptional midsummer increase in street car traffic, it had vanished on appearance of the jitney.

Another tabulation shows the cost of operation and the earnings per car mile and Dr. Shortt notes that the average cost of operation for the year 1915-1916 was 20.88 cents a car mile, while for the 11 months to May, 1917, the cost of operation was 20.77 cents a car mile. Yet the earnings for these periods respectively were only 17. 7 and 19 cents a car mile.

This state of affairs had an effect upon the stock and debentures of the Company on the market. For the

past year, Dr. Shortt remarks, the preferred stock fell to 35½ — evidence, he points out, of the serious financial condition of the Company.

The reserve fund for renewals maintenance has been referred to already. Dr. Shortt investigated the suggestion that the Company was setting aside an unnecessarily large amount for this purpose, but finds that "a comparison with the rates made in other cities more than justifies the Company in the policy and practice adopted and carried out in the accumulation of the renewals maintenance fund."

Going into the general analysis of the business of the Company on the mainland, Dr. Shortt sums up thus:

"This shows that while considerable revenue was derived from light, power and gas, in each section of the Company's transportation business there had been a very serious deficit, amounting in all to $553,254. Of this deficit no less than $300,701 was due to the Vancouver section and the New Westminster and Central Park route, the regions of greatest density of population and which therefore ought to have been most profitable had they not also been the field in which the jitney competition on the mainland is entirely located.

"As to the transportation business of the Company, therefore, it is obvious from the returns presented, and especially from the analyses given in Exhibits 34 and 120, when taken in the light of the economic reaction of the past few years that the revenues of the Company from its street car system are far short of meeting operating expenses. This being so, there is no question at present as to any fair and adequate rate of profit on the actual capital investments of the Company, but simply a question as to how it is possible for the Company to obtain sufficient income to enable it to furnish those services to the public which are indispensable to the maintenance of normal social and business life in an extensive modern urban centre.

"In the evidence presented before the Commission the critics of the Company have maintained on the one hand that it has not exercised sufficient energy and alacrity in meeting the expanding needs of the population of Vancouver and Victoria areas, while on the other hand the Company is also accused of having extended its services too widely and rashly, thus involving itself in quite unwarranted investments of capital, on which the public should not be expected to pay dividends.

"The wisdom of retrospect should be more self-consistent if not more charitable than indicated in the efforts to condemn the Company, whatever course it took."

III. JITNEY *or* STREET CAR

WHEN the B. C. Electric and the general body of citizens were suffering from the economic reaction and the loss of population, says Dr. Shortt, a new and altogether unforeseen factor emerged and at once seriously impaired the already depleted revenues of the Company. This was the so-called jitney service, which suddenly entered [illegible] active competition with the street cars on the central, shorter, well-paved and most lucrative routes.

Depending upon no regular investment of capital and involving no previous organization or joint responsibility in the maintenance and regulation of the service, the jitney was regarded as merely a passing phase and was expected to disappear. How-

ever, the persistence of the period of economic depression and the substitution of other types of drivers when the original operators dropped out, led to the continuance of the competition. The wave of experiment soon receded, largely due to the inability of the service permanently to maintain itself in prosperous communities and partly also to the adoption of necessary municipal and state regulations and the decisions of public service commissions when its logical consequences for the community were once realized.

Dr. Shortt continues:

"As already pointed out, and as quite justly contended by the representatives of the jitney interest, the jitney is only one of the factors which have resulted in the reduction of the Company's street car revenue below the level of operating expenses. In the meantime the jitney competition is greatly impairing, and if prolonged for some time may quite destroy, at least the outlying street car services. This is abundantly evident from the variation of the traffic and receipt records according to the numbers of the jitneys in operation. As already pointed out, before the advent of the jitneys the Company found its largest traffic in the summer, but since their competition developed their largest volume of traffic is in the winter. This simply emphasizes the fact that the jitney is essentially a fair weather service, and quite unable to meet the needs of the public under all conditions. Further, the daily variation in the number of jitneys in operation from January, 1916, to May, 1917, strongly emphasizes the very irregular service supplied by this system of transportation, and the further fact that it fails most markedly in times of greatest need—in other words, when weather conditions are bad.

"The officials of the Company, from the detailed information gathered by their inspectors, have estimated the average loss per day from the jitneys operating in Vancouver at $7, and at $5 in Victoria. The representatives of the jitneys claim, however, and furnish evidence to substantiate certain of these claims, that a number of them make considerably more than $7 gross per day. They also claim, with an obvious measure of truth, that the total earnings of the jitneys do not furnish a correct basis for an estimate of the losses of the Company.

Company Cannot Continue

"When, however, full allowance is made for all the extra traffic which the jitney creates for itself, and considering the claims of the representatives of the jitneys that some drivers at least are able to make a net income of from $1,000 to $1,200—although in such cases the hours of work are exceptionally long—the estimate of the Company as to the amount of gross earnings of which the jitneys deprive it is probably not far from the mark. On this basis for the city and suburbs of Vancouver the aggregate amount lost to the Company through the jitney competition for the year 1916 is given as $261,278. The actual receipts of the Company from this area during the year were $1,237,058. Without the jitney competition, therefore, the gross income would have been approximately $1,498,333; but if we allow for a proportionate increase in the car mileage required to accommodate the extra passengers, amounting to 107,479 car miles, which at an operating cost of 15 cents per car mile would amount to $16,121, we have left a net increase of $245,157. Incidentally this shows how very far the jitney service is, even at its best, from meeting the transportation requirements of the city and district of Vancouver. The extent, however, to which it cuts in upon the income of the Company is quite sufficient to make the difference between the possibility and impossibility of financial

continuance on the part of the Company. While the extra income of $245,000 would not convert the existing losses of the Company into a surplus, yet it would probably be sufficient, with certain economies and rearrangements to be considered later, and in view of a certain tendency to recovery noticeable within the past year, to bring the earnings of the Company on its street railway business to the point of at least meeting its outlay. This would permit the Company, though with the sacrifice of any dividends on its stock, to maintain its solvency and to continue an efficient transportation service until the return of a period of normal prosperity, such as may be reasonably expected from the situation of these centres of population in relation to the commercial requirements of the continent and the valuable resources of the province. At any rate it is plain from the economic situation which has developed in the centres of Vancouver and Victoria and the financial condition of the British Columbia Electric that it cannot continue in business under the combined influence of the unavoidable shrinkage of population, depressed economic conditions of recent years, and the competition of the jitney cars.

Heavy Traffic and Outlying Routes

"The central principle on which any adequate street car service is necessarily built is that of utilizing the greater earning power of the heavier traffic routes to support, especially in their initial stages, the outlying routes with lighter traffic, which, however, will some day come to be first self-supporting and later contributors to the support of newer and still more extended routes. If, however, anything occurs to dislocate this system, especially in the way of impairing the revenue upon which it lives, it inevitably demoralizes the service for a time and if persisted in must ultimately lead to the bankruptcy of the corporation, doubtless after a gradual suspension of the more unprofitable lines in the outskirts of the city. Obviously, if a competitive service such as the jitneys comes in, especially during a period of financial depression and loss of population, and takes away a large section of the most profitable central traffic without relieving the street railway on a single mile of the unprofitable routes, it is destroying the capacity of the general transportation system to meet its obligation, while it upsets entirely the organization on which the street railway can alone meet the standard requirements.

"It has been stated, even by the managers of street railway systems, that the competition of the jitneys might be admissible were it extended equally to all the routes served by the company. Except, however, in the largest centres of population, such as New York and Chicago, where the traffic is so voluminous that several concurrent systems cannot adequately provide for it, such a form of competition, while fair in the sense of sharing the profitable and unprofitable portions of the field, can only mean that one system or the other must succumb within a comparatively short time or that both will fail, naturally after a period of greatly deteriorated service for the public. In other words, a field which will support one adequate and efficient transportation service will seldom support two, no matter how equal are the terms of the competition between them. As between rival systems of transportation it is reasonable and proper that that which is the better able to meet the needs of a modern city population should survive. No vested interest or prospective sacrifice of capital invested in good faith in a service which proves to be inferior to another can be successfully pleaded as a reason why the less adequate service should be maintained. On this basis, as between the existing jitney and the

electric street car service the great practical question is, does or can the jitney furnish a cheaper, a more uniform, more adequate, reliable and responsible service than that of the existing street cars? If so, instead of being interfered with and suppressed, it should be given free course and encouragement, but if not, since it is evident from the detailed financial returns of the Company already referred to that the two systems cannot co-exist without the disappearance of the street railway, it is plain that the general interest of the community requires the elimination of the jitney as a condition of retaining the existing transportation service, beyond at least the central and more densely populated city areas.

Is the Jitney an Evolution?

"It is admitted as obvious, however, that with all the superior qualities claimed for the jitney service, since it is neither possible nor desirable that these two systems should serve the same districts or operate on the same streets, either immediately or at least in a short time the electric street car must be supplanted by the jitney or the motor bus. In those portions of the argument where it is conceded that the jitneys are not prepared to immediately take the place of the street cars, no suggestions are made as to how the interval is to be filled in.

"There can be little doubt that if the facts are as presented in the general run of the jitney argument, the conclusion reached is perfectly sound and any attempt to prolong the existence of a company whose system of service is plainly obsolete, or to temporarily save it from bankruptcy by eliminating a superior competitor, readjusting rates and routes, or introducing other minor economies, would be at once misdirected charity and unjustifiable public policy. If the capital investments of the Company in its street car service are obviously doomed to obsolescence because a superior service has been developed, and if, as is amply demonstrated, the Company is at present losing heavily on its annual operation, what could be more unwise in principle, more ruinous to the Company, more contrary to the interests of the citizens of the districts of Vancouver and Victoria, than an attempt to prolong the present undesirable situation when the inevitable outcome is plainly in sight?

"It is doubtless a serious matter for the future financial prospects of the coast cities, and indirectly of the Province of British Columbia, that British capitalists should have been induced to expend in good faith such large amounts of capital in electric railway systems in the chief civic centres of British Columbia, when this capital investment almost before the completion of the undertakings should be doomed to almost complete loss. But, however unfortunate this may be for the British investors, in British Columbia as elsewhere they must be prepared to meet losses, however severe, when it is obvious that they are due to the unavoidable conditions of progress. In such a case British Columbia and its people are no more at fault than those of any other portion of the world, not excluding Britain itself.

"Neither British investors, however, nor those from any other quarter can be expected to take lightly the loss of their capital through bad faith, such as the illegitimate sacrifice of their interests as outsiders to inferior domestic claims because of their local influence or sympathies. Nor can they be expected to submit calmly to the prospective scrapping of their costly plants after the capital invested in their construction has been gratefully absorbed in local expenditure, in order to make way for other prospective plants which will involve for a few years the expenditure of much new capital and thus procure a temporary return of good times. Nor will they appreciate the false kindness

of any encouragement to continue at heavy annual loss a system of transportation or any other public utility which it is cheerfully declared in advance can never be restored to a paying basis, because the competing system which is the chief cause of its accumulating losses is destined to replace it as a much superior method of transportation. The only coldly self-interested, not to mention the only honest, method of dealing with a company placed in such an undesirable situation is not to encourage it in the continued sacrifice not only of its past investments, but of such existing reserves as it may have accumulated in more fortunate times. It should be encouraged to at once face frankly the inevitable and to save what is possible from the wreck of its investments. Moreover, in parting with the unfortunate investors who have themselves parted with so many millions of their capital, almost entirely expended in contributing to the past prosperity of the urban districts of Vancouver and Victoria, it were well to do so in a courteous if not a kindly manner. Doubtless there is some temptation to abuse those from whom we have received benefits too great to repay, particularly when there is little more to be expected from them. Even on the lowest grounds, however, it is poor policy to give way to such temptation. I feel convinced, however, that the great majority of the people of the chief cities of British Columbia do not endorse the bitter references to the Company and its investors which are contained in some of the evidence and arguments of those supporting the jitney interests. Least of all will they subscribe to the sentiment that it matters little what investors in Britain may think of our treatment of them, because hereafter, in consequence of the great war, supplies of capital are to be sought in the United States.

Jitney or Street Car

"If, however, the advocates of the jitney cause should prove to be mistaken in their estimates and the jitney should not be a form of transportation which is able to take the place of the electric street car, but can only at best, even in such developments of it as are in sight, act as a supplementary form of transportation, then the alternative proposition, recognized as such by the advocates of the jitneys, must be accepted. Instead of the electric street car being sacrificed for the preservation and extension of the jitney, the jitney should be sacrificed for the preservation of an electric service in the best interests of the public.

"Though few of those who appeared before the Commission and practically none of those who faced the actual situation of the B. C. Electric were prepared to argue that both the electric cars and the jitneys can operate in competition with each other on the present basis without the elimination of the larger and more costly service, yet it is possible that a number of citizens, especially those who have not actually faced the facts, may be under the impression that these two systems can operate indefinitely in competition. Such citizens may at least have the conviction that under the ownership and superior management and economy of the respective city corporations and with access to the public purse it may be possible to operate the present electric service on a profitable basis, while permitting the jitneys to freely take what they please of the cream of the business."

Dr. Shortt here points out the way for an experiment by the City of Vancouver taking over the street car system and suggests a similar move by the City of Victoria. He continues:

"Should it be possible to convince the majority of the ratepayers of either or both of the cities of Van-

couver and Victoria that in spite of the experiences of the B. C. Electric it is both desirable and possible to operate a general street car system, serving at once the civic centres and the outlying suburban, industrial and residential districts, while at the same time freely permitting individual operators of jitney cars, in the care-free pursuit of their own personal interests, to take or leave what they please, and when they please, of the most profitable portion of the traffic, they have the opportunity to practically demonstrate their faith by their works.

"This experiment, if undertaken by the civic corporations, has the added advantage that it can be conducted without the very serious risk to the suburban districts in particular of losing their street railway altogether, or to the inner districts of suffering from an inferior service. Miscalculations of municipal ratepayers, unlike those of a private corporation, can be made good out of their own pockets through the simple process of increasing their taxes, even when their borrowing limits are reached.

"However, assuming for the time that the majority of the citizens of Vancouver and Victoria and their adjoining municipalities, even if favoring the municipal ownership and operation of public utilities, are no more prepared than those of Edmonton and Calgary to permit private competitors, with nothing more at stake than a second-hand automobile, which the jitney operators tell us can, even in these dull times, be disposed of without loss, to freely exploit the cream of the city's revenue, the question simply narrows itself down to whether the jitney service or the electric street car service is to operate in the coast cities of British Columbia.

Jitney Not Responsible

"An open-minded examination of the jitney service as it at present exists should convince anyone that, while it may be a useful supplement to an electric railway service, it cannot possibly take its place. That it is possible for a trackless motor bus system, installed and operated by a corporation with large capital and a highly organized and efficient staff, to take the place of the street cars on well-paved streets, is quite admissible. But this is simply to change from one great public utility corporation to another, and the change might as easily be made by the present corporation, the British Columbia Electric Railway Company, as by any other company, in simply substituting motor busses for street cars, as in the case of the motor bus companies of New York and Chicago. This system, however, has nothing whatever in common with the existing jitney service except the one single feature that neither the jitneys nor the motor busses require tracks and trolleys. Whether the motive power should be in either or both cases electricity or gasoline is merely a matter of experiment and local cost.

"As is fully demonstrated in the origin and expansion of the jitney service, it involves no rational foresight or organization, no special investment of capital in lines from which it cannot be readily withdrawn, no guarantees as to rates and no special arrangements to meet the permanent needs of the public — in a word, no responsibility whatever, either personal or corporate, to continue in adequate form a service which has become one of the most permanent and vital requisites of a modern city. The attorney for the jitneys makes a special point of this capacity of the jitney to suddenly appear in great force, as in the case of the Seattle and other street car strikes, and to fade away again. In Victoria, as the evidence submitted by the jitney interests will show, the jitneys operate indiscriminately as jitneys and taxicabs. Their particular role at any given time is naturally

determined by what fares can be collected under the one guise or the other. During the street railway strike double fares were collected on the jitney routes. On the other hand, a street railway system in a large modern centre of population is the product of years of organization and the investment of millions of capital in forms, the greater part of which cannot be converted to other uses and is therefore at once a very heavy guarantee for the performance of its obligations and the highest possible inducement to afford where possible an acceptable service to the public, on whose favor it entirely depends. Were the street cars forced to discontinue, the citizens would be entirely at the mercy of an irresponsible service, both as to numbers in operation and fares demanded.

"It may be said that as regards the fares, rules could be adopted regulating them, but as the present cab and taxi tariffs in most cities prove, this is a very inadequate remedy, and in any case there is no regulation which can compel any individuals to remain in a service when they can leave it without any material sacrifice whenever something better turns up. Even under the compulsion of hard times the continuous fluctuation in the numbers of the jitneys and the easy coming and going of individuals in the jitney ranks are ample evidence of the unreliability of this system of transportation in any civic centre large enough to preclude walking as a feasible alternative for those without private means of conveyance."

But if jitneys are to be taken seriously as a substitute for electric car service, says Dr. Shortt, they would require to give transportation on this basis:

On as reliable a basis at least as the B. C. Electric can furnish.

Transfers to any part of city at rates offered by Company.

School children's and workmen's tickets at Company's present rates.

Contributions to city on at least the same proportion as the Company's percentage payments.

Bonds which will render claims for accidents as certain of recovery as at present against the property of the Company.

Suburban service as good as that of the Company on as favorable terms as the Company would be able to accept.

Jitney Cannot Meet Requirements

"Now, it requires only a statement of these conditions and a very superficial knowledge of the jitney service in Vancouver and elsewhere to realize that there is no possibility of these conditions being met by the jitney service in Vancouver were the electric railway forced out of business. Moreover, neither the legal representative of the jitney interests nor the most reckless advocate of the jitney privileges who appeared before the Commission has claimed that the jitneys, under either their present or reasonably prospective development, could comply with the conditions at present fulfilled by the Company."

Concerning the "guesses" of certain writers that an improvement of the jitney would result in some form of trackless motor vehicle taking the place of the present electric street car, Dr. Shortt points out that "in all such suggestions it is not the ordinary, irresponsible automobile jitney which is expected to take the place of the street cars, but some developed form of motor bus or car, properly closed in, seated, lighted and heated and thus adapted to the regular conveyance of passengers at all seasons and at all hours. Such a vehicle, it may be observed in passing, loses all the special merits and attractiveness associated with the poor man's automobile and the joy-riding proclivities of its patrons.

"Even should some form of motor service ultimately replace the electrical trolley, as argued by the jitney interests, it must be conducted, as experience everywhere proves, either by responsible joint stock companies or municipal corporations. In either case the independent individual jitney owner, in whose interests the whole argument before the Commission was presented, must be eliminated. It is difficult to see, therefore, what advantage there is in throwing out of employment that large and respectable class of citizens of Vancouver and Victoria districts who constitute the employees of the British Columbia Electric Railway Company, merely to insure the temporary support of a limited number of independent operators of jitney cars, who cannot guarantee, either for themselves or each other, that they will furnish a reliable service for the citizens of those districts, and who in turn must be supplanted by large and permanently responsible capitalist corporations. These in turn must develop other well-organized systems with a body of employees under normal and satisfactory conditions, with the customary regulations as to hours, rates and the many other terms embodied in agreements between employers and employees. What demoralization the financial and commercial interests of the coast cities must undergo, what wreckage of values for outlying residential properties, what hardships and inconveniences to the general body of citizens must be endured to effect the transition from one capitalist organization to another, through an irresponsible jitney interval, one can only leave to the individual judgments of those who would chiefly suffer."

IV. THE INTERURBAN JITNEY

THE other of the two divisions which would normally show the largest returns, but which on the contrary showed the largest decreases, was the Vancouver-New Westminster interurban, and this, like the Vancouver street car system, was subject to jitney competition.

The Commissioner repeatedly refers in this section of his report to the lack of stability of the interurban jitney service. He says:

"The important point, however, as affects the public interest in the matter is that on the best showing which can be made, the members of the company and the persons more or less loosely attached to them have very little at stake in the business except their automobiles. . . . Apart from the management itself . . . there is little anchorage in the business on the part of the other individuals associated with it. In other words, they would r[illegible]re to sacrifice but little in leaving the road for some more lucrative or attractive occupation. Under ordinary circumstances, this is a matter of no special importance to anyone but the individuals concerned, but when a very considerable number of persons come to depend upon the regular service of such individuals, the lack of any guarantee for permanent service is a serious matter. . . .

"An examination of the passenger traffic conditions between New Westminster and Vancouver will indicate that much the largest and most profitable portion of the traffic is the through service between the central portions of the two cities. In accordance with the free lance system of the typical jitney traffic, this is the portion which alone is sought by the Blue Funnel Line, leaving the more irregular, sparse and unprofitable traffic of the intermediate region to be served by the B. C. Electric or any other parties, private or corporate,

who may care to attempt it. It being recognized that the Blue Funnel Line frankly confines itself to the most profitable section of the traffic, it furnishes for probably the greater part of the year a quite convenient and attractive service, with those special attractions in summer incidental to automobile riding, and which have been already referred to.

"The only serious question which arises, therefore, is the familiar one: Can these two services co-exist, the one available at all times for all forms of service, and the other furnishing only a specialized feature of that general service required by all elements, available while it is in operation, the duration of which depends upon the individual who happens to be the maintaining principal at the time? If so, then there is practically nothing more to be said, except to congratulate a limited section of the population on the quite exceptional good fortune which it is able to enjoy.

"Unfortunately, however, such very exceptional conditions are impossible of continuance. The most ample evidence is furnished to prove that it is impossible for at least the British Columbia Electric to continue to meet its operating expenses, much less to pay any dividends, out of the section of the through traffic left to it, together with the local and intermediate traffic, most of which is at special low rates.

"As always under such conditions, one of three alternatives must result: The partial services of the automobile cars must be eliminated and the local fares revised, or the B. C. Electric Company must abandon the service, or the City of Vancouver, as the dominant municipal corporation, must take over the B. C. Electric transportation service and make such arrangements as are necessary with the municipalities affected and finance the enterprise as a municipal obligation.

No Reliable Guarantee

"It is perfectly obvious that the Blue Funnel Line has neither the financial resources nor the capacity to furnish any reliable guarantee as to undertaking the full service now rendered by the British Columbia Electric. If with the lightness of a promise that involves no loss when broken, it should undertake to speculate with some of the most vital interests of the citizens, there is nothing whatever to guarantee the success of the venture, and in the very serious event of failure practically all of the loss must be borne by the citizens, who are left stranded without remedy."

Dr. Shortt then points out that the interurban jitneys would be at the mercy of free-lance drivers with nothing at stake but a rapidly depreciating automobile. In fact, every step in advance which the present jitney line might make would be an added inducement for those free-lance competitors or pirates to exploit the profits of the line. How this policy affects the B. C. Electric he next shows:

"But the costly and highly developed services which the B. C. Electric has built up on a complex basis essential to all stable forms of modern transportation cannot possibly continue to be conducted on that basis if free lances, whether in the shape of five-cent jitneys or twenty-five-cent Blue Funnel liners, are permitted to rifle the traffic of its most easily obtained and most profitable revenues, leaving to the Company all its heavy capital expenditure and the most costly and least remunerative of the already shrunken street railway business."

V. FARES, SERVICE, ONE-MAN CARS

DR. SHORTT'S repeated references to the readjustment of fares, service and transfers in the suburban districts of Vancouver leave no doubt of his conviction that changes are necessary and he recommends a conference between the Company and the representatives of the municipalities affected for the purpose of adjusting these matters. His summary follows:

"If the jitney competition is eliminated as the chief source of the annual losses of the Company, then as regards Vancouver district the remainder of the losses, due to the prevailing war conditions and the diminished population, might be fairly well met until more prosperous times recur by the fixing of a city population area within which present rates and transfers should continue, while beyond that area a readjustment with reference to rates, frequency of service, etc., could probably be effected in conference between representatives of the adjoining municipalities and the management of the Company."

In giving his reasons for this decision, Dr. Shortt says:

"Though recognizing the serious financial condition of the Company as regards its transportation service, and notwithstanding the urgent appeal being made by many street car companies throughout the continent for a general increase in street car fares to meet the increasing cost of operation, it is not recommended that the present standard fares in the City of Vancouver should be increased.

"Special arrangements as to fares were made from time to time, and the special concessions which were granted in the matter of transfers were obviously not considered in relation to the permanent conditions which were likely to be established when the more or less speculative and prospective future of these districts should be settled. As a result of the hasty and tentative arrangements entered into during the days of rapid expansion and the overflow of municipal boundaries, we have an intricate and impracticable system of normal fares, with all manner of special concessions and privileges, only some of whose interesting and attractive possibilities in combination even the citizens most familiar with them have as yet fully worked out. It is impossible to summarize this tangle of rates within limited compass, but certain general concessions may safely be arrived at. In the first place these rates must be revised and simplified with a view to rendering them more uniform and equitable alike as to the Company and the citizens.

"As a basic factor in the rearrangement it is quite obvious that, as previously observed, the central city population of Vancouver, taken in the sense of an unbroken continuity of the fairly compact city blocks and residential areas, extends at various points, such as the Shaughnessy Heights section of Point Grey, beyond the formal city limits of Vancouver. In other sections, as in most of the Hastings Townsite, recently brought within the city limits, much of the area is very sparsely settled and does not come within the reasonably well settled city population area referred to in this connection. In prescribing an area, therefore, within which uniform rates for the various classes of city tickets should be established, with free transfers on continuous trips to all other parts of this area, the population limits should be taken, not the restricted

municipal limits of Vancouver City.

"Beyond these limits we have to deal with the suburban areas proper, and for these rates must be arranged on the street railway lines which serve them which will bear, not the full, but some approximate relation to the cost of the service rendered. In practically all cases this will involve the cancelling of transfers from urban or interurban lines to city lines—meaning, of course, by the city lines those within the city population area already referred to.

"In the charters granted to the British Columbia Electric by the municipalities adjoining Vancouver, or in subsequent agreements, certain special settlers' rates, carrying with them the right of transfer to city lines, were granted to residents of these municipalities. It was found, however, that owing to subsequent provincial legislation, these tickets could not be restricted to the permanent residents. Hence the rates became common on all lines of the Company.

"In the discussion of relative fares it is assumed that while the cost of the service, under the principle of its being a natural monopoly, is adjusted mainly to the total cost of the system and not to the cost of operation of each section, yet the reasonableness of charging a higher fare for longer distance and sparse settlement is partly due to the greater cost of service per passenger and partly to the economic advantage which the passenger enjoys in the lower cost of living in suburban areas.

Might Take Up Tracks

"Should, however, the municipalities or the Company insist upon the letter of the charters, the municipalities may refuse to admit of any modification of the rates conceded to them when economic prospects were brighter. Under such conditions the Company on its part may cease to operate any of the lines found to entail too heavy a loss. In such an event the municipality may either take over the line at a valuation under arbitration, or order the Company to take up its tracks and grant the right of operating the line to some other company. Under present conditions neither of these alternatives would be of any advantage to the citizens, who would find themselves entirely deprived of a service upon which the value of their property and the convenience, and in some cases the necessities, of their lives depend. It is evident, therefore, that an adherence to the letter of the charters will afford no solution of the present difficulties, which involve the alternatives of an insuperable financial loss to the Company or an entire suspension of street car transportation to the districts in question. In the face of such a situation, the only reasonable solution would appear to be that the representatives of the municipalities affected, namely, Point Grey, South Vancouver and Burnaby, should confer with the management of the Company with a view to the recognition of the limits of the city population area above referred to and the consequent readjustment of fares, transfers and time tables, or any other details which they may mutually agree upon. At such a conference there is no doubt that at least temporary arrangements might be made which would enable the Company to continue a reasonable service on practically all of its outlying lines. When improved conditions returned for any or all of these suburban districts a corresponding improvement in fares, frequency of service and transfer privileges should be made."

In accordance with Dr. Shortt's other recitals of the principles of public utility operation, to wit, that a company must be able to exist in order to give service, and so forth, he makes this statement earlier in the report:

"Should it be demonstrated that the conditions of operation are such as to involve unavoidable bankruptcy, the service must indeed be abandoned or the conditions of its continuance revised. In such a case, rather than sacrifice the whole service the citizens in the areas of unprofitable operation may consent to have the rates raised and the frequency of the service curtailed."

He repeats his opinions that fares and service in suburban districts should be revised in referring to what the jitney would have to provide for in trying to replace the street railway:

"As regards the special rates and concessions regarding fares and transfers which apply to the suburban traffic of the Company, inasmuch as these have grown up in a fragmentary and isolated manner and are at present very complex, unequal and unsatisfactory and therefore call for revision, the jitneys should not be asked to conform to such exceptional conditions, unless they claimed to be able to fulfil these requirements as they stand."

In the interests of economy, especially on the outlying lines upon which Dr. Shortt suggests a readjustment of fares, service and transfers, the Commissioner recommends a trial of one-man cars, which are operated, as is well known, by one man acting as both motorman and conductor.

"As to the practicability of the plan, however, for outlying and more sparsely settled districts, there can be little question, while as to the advantage of it in point of economy there is still less.

"That the change would involve some reduction in the number of employees is obvious, though were the jitney competition abolished the balance would probably be adjusted. It were better, however, to reduce the number of men, while increasing somewhat the remuneration of those operating the one-man car, than to suffer loss of employment for a considerably larger number in virtue of the enforced closing of sections of line by reason of the heavy loss in operation.

"Certainly, whatever may be said as to the wisdom of employing the one-man car for the general traffic of a city, there appears to be no sound reason against its use on the lighter runs and more particularly as an alternative to abandoning much-needed routes."

VI. SUMMARY AS TO TRANSPORTATION

(1) The financial condition of the B. C. Electric Railway Company, as regards its street railway system, is impossible of continuance on the basis of the past three years or the immediate prospects for the future. The deficits of the street railway operation should not be chargeable to the light and power business of the Company, which must be dealt with as nearly as possible on a quite independent basis.

(2) The urban and interurban street railway business, as proved by long and wide experience, cannot be conducted upon a basis of free competition. It is a public utility and as such essentially a natural monopoly, to be conducted on well-recognized principles as a unified service, the various portions furnishing mutual support. In the case of public utilities free competition has never proved a permanent protection to public interests: quite the reverse. A public utility commission is the only practicable safeguard for the general interest.

(3) Jitney competition on a considerable scale in conjunction with a prolonged period of depression and loss of population has destroyed the

normal basis on which the street railway system was built up and can alone be maintained. As a jitney service it cannot take the place of the street railway service. Any of the possible alternatives to the street railway which would be adequate to replace its varied services, as for instance a motor bus development, would involve the reproduction of all the essential features of the British Columbia Electric Railway Company as an organized capitalistic business corporation. Such a company in turn could not maintain an extended and satisfactory service in competition with the free-lance jitneys, confining themselves, as now, to the cream of the business.

(4) Either the jitneys in competition with the street cars must be eliminated and until more prosperous conditions return certain other changes and economies introduced, or the electric street cars must either go out of business, or if forced to operate on a basis which will permit them to meet the competition of the jitneys, they must at least abandon the outlying and more unremunerative sections of their lines, reduce the frequency of the service on others, discontinue all transfers, and exact a five-cent minimum fare for all persons, including children under twelve years, school children, workmen, etc.

(5) As a general alternative the cities of Vancouver and Victoria, under arrangement with the adjoining municipalities, may take over the street railway systems in their respective centres and conduct them as municipal enterprises, leaving the jitneys their present freedom to take what they please of the street car revenues.

VII. LIGHT AND POWER

AFTER noting briefly the cost of the various plants of the Company on the mainland and the distribution lines, Dr. Shortt mentions that the gross earnings from light and power in the Vancouver district in 1916 amounted to $1,475,723, of which $1,172,492 was from lighting, including street lighting, and $303,230 from commercial power. He then goes on to discuss rates. He says:

"As Vancouver City is naturally interested in obtaining electric power and light at the lowest possible rates, the representatives of the City made much of the fact that Winnipeg is supplied, in the matter of domestic light and power, at 3½ cents per k.w.h. and Seattle at 5½ cents, these being practically the lowest rates in Canada and the United States respectively. In taking the general experience of the continent, however, it is found that while Seattle and Los Angeles enjoy the lowest city rates in the United States for domestic lighting, the general experience of cities throughout the United States is that rates for domestic light and power are very much higher. In a table of comparative lighting rates furnishing particulars for 105 cities of the United States having a population of 50,000 and over, it is found that only the two cities of Seattle and Los Angeles have a rate as low as 5½ cents per k.w.h. after discount, the others running from that up to 12 cents (see Exhibit 141). In this list, which does not include Canadian cities, if we take the discounted rate of Vancouver at 8.8 per k.w.h., it will be found to come fifty-second on the list, or practically midway between the highest and lowest American cities. Thus in comparison with the general experience of American cities Vancouver does not fare badly, even under present conditions. In the comparisons which are made with Seattle, therefore, it must be borne in mind that Vancouver is

being compared not with the average rates of the United States, but with the lowest of their city rates.

"Probably the most important point to be considered is that the Vancouver hydro-electric Coquitlam-Buntzen plant has been developed under very special conditions, which go far to account for the position in which the Company finds itself today. When in 1902 the B. C. Electric undertook the construction of this plant, it was facing the requirements of a city and district of large promise indeed, but of very moderate though healthy growth. The dam and tunnel as originally planned were likely to take care of the needs of the district for quite a number of years.

"In the construction of the dam the dimensions at first considered satisfactory were greatly, and apparently unnecessarily, extended at the instance of the Dominion Government and exceptional measures were required to be taken by the Company to protect the water supply of New Westminster. All this added very largely to what was expected to be the normal cost of the enterprise. However, the work was completed in an exceptionally permanent manner. The construction and equipment of the power houses at Lake Buntzen were also of a high grade, and the same applies to the transmission system and transforming stations.

"While this construction and equipment was going on the demand for light and power in Vancouver and district was increasing by leaps and bounds. Two alternatives were discussed by the management—the developing of new power plants on additional sites of their own, or the entering into a contract with the Western Canada Power Company for a large and for some years increasing block of power. The latter alternative was chosen and the contract with the Western Canada Power Company was the result.

Cost of Power Goes On

"Unfortunately for the Company, just when it was ready to take care of the expected expansion, not so much in the previous line of mere city-building as in the newer directions of extensive industrial developments, which would stabilize the somewhat top-heavy residential and retail extensions, an economic reaction set in and has been continued under war conditions. The Company has been left, therefore, with an exceptionally complete and efficient electrical establishment on its hands. As explained by Mr. Murrin, the larger part of the cost of producing the power remains whether the power is used or not, and loads the price of what is actually used. This is an important point for further discussion.

"Turning for a moment to the Seattle plant, we find one in much the same situation as that of the B. C. Electric Company in 1911. It is a plant in process of extensive development.

"Whether the Seattle plant will be able to continue its exceptionally low domestic rates under the new conditions and in competition with a rival company is a question on which the experts most familiar with the facts appear to be seriously divided.

"The point of importance, however, with reference to the Vancouver situation is that at the present time the electrical plants in the two cities are at the opposite poles as regards the cost of production of the electrical energy actually used. In the light of the facts of the past it was natural enough that the B. C. Electric Company, when met with an exceptional demand which in point of time no one foresaw, should have been roundly criticized for not being more optimistic in not keeping sufficiently ahead of the times in the expansion of its plant. Undoubtedly the very heavy capital investments and consequent time required for adequate provision of any p ty

in a large centre of population require the undertaking to be some years in advance of the actual population and industries to be served. It is equally natural that the same and other parties should, with the wisdom of aftersight, condemn the Company for having been influenced even moderately by the general clamor and proved themselves too optimistic in their plans for overtaking the demands which had outstripped them. Our sympathies may very well extend to both accusers and accused.

"In determining what is a fair rate for electrical energy at any given period, the fundamental and decisive factor is the cost of construction and equipment of a permanent plant of good quality, which will be able to meet both the present requirements and some reasonable degree of expansion for the future. It must not be too distant a future, however, for then the interest and depreciation on the investment more than counterbalance the advantage of being prepared in advance to supply all possible expansion of the district.

Power Rates Fair and Reasonable

"Assuming that this is a reasonable basis on which to judge of the economic value of a public utility service we have next to consider the actual adjustment of rates as a fair charge for standard electrical services. Judged alike from the point of view of their application to the conditions of Vancouver district and by comparison with the rates elsewhere, it must be admitted that the rates charged by the B. C. Electric for the larger quantities of power for commercial and industrial purposes are on the whole fair and reasonable.

"As to street lighting, the rates are certainly exceptionally low, especially in comparison with what may be considered a reasonable rate of lighting for other purposes.

"When we come to domestic light and power, however, we find that apart from the special cooking and heating rates the charges are high, especially for a hydro-electric plant. Moreover, it would appear that the higher rates act considerably as a discouragement to the use of light and power where they are taken through the same meter, as must be the case in the great majority of households. In Exhibit 142 Mr. Murrin gives an interesting table showing the number of private residence consumers of electric light and power whose accounts were not sufficient to meet the monthly expense of the Company in serving them. In July, 1916, the number using not more than 12 k.w.h. for the month were 10,773, while in December the numbers were 4,347. On the other hand, the numbers of those who used over 12 k.w.h. were, in July 5,679 and in December 13,472. Thus, for the month of July nearly two-thirds of the accounts of the residential consumers did not meet the expenses of the Company in serving them, and even in December one-quarter of the consumers were in the same position. Two conclusions inevitably result from such a situation: First, that the Company should follow the sound practice of the majority of electric light corporations, municipal as well as private, and make a minimum monthly charge of not less than 50 cents, which would meet approximately 50 per cent. of the cost of maintaining the service. On the other hand, by lowering the rates for domestic light and power there would be a very direct incentive to use the current more freely and more regularly. This applies not only to the large number who are unprofitable consumers, but to those who take a larger portion and might easily be encouraged or induced to employ electricity more freely, not perhaps so much in the line of light as in the greater use of the rapidly extending comforts and conveniences which are now placed at the disposal of the community and which furnish a very considerable substitute for the power and heat derived from coal.

"Because of the unique position of Winnipeg in the matter of electric light and power rates, the Commissioner spent a few days there in looking up the history and present condition of that utility.

Held to Low Rate Promises

"As correctly pointed out by Mr. Murrin, it was expected at first to meet domestic requirements at not lower than 7 cents per k.w.h., to be gradually reduced as experience justified. Certain aldermanic candidates, however, with a rashness unknown to such persons when transformed to actual aldermen, having promised the public 3-cent electricity, were clamorously held to their promises. The expected commercial demands for power not developing, and there being much power running to waste, it appeared that the losses might as well be faced over the head of low rates as over the head of insufficient use of power. Accordingly a 3½-cent rate, with a discount bringing it to 3 cents net, was granted. At the same time a reduction of one-third was made in power rates. Even then, however, only some 13,565 citizens took advantage of this very exceptional rate during the first year of operation. In desperation the civic authorities took a leaf out of the book of the more enterprising private corporations and started a vigorous advertising campaign to induce the citizens to use their own power, made available at bargain-counter rates by their own taxes and in response to their own clamorous demands. The result was that in about three months the number of consumers had increased some fifty per cent., and since that time, notwithstanding war conditions, not only have the numbers of consumers been greatly increased, but the amount of electrical energy taken by individual consumers has been very materially increased. The use of electricity for cooking and heating has particularly expanded, owing to the exceptionally low rate of 1 cent per k.w.h. There are now in use over 35,000 meters.

"In Winnipeg as elsewhere a minimum monthly charge is exacted, the amounts being 50 cents for light and $1 for power. The management has also adopted and strongly advocates a system of customers' deposits. The amount is $5, and on this interest at 6 per cent. is allowed. Out of the 35,000 meters in use during the past year there were 1 ,000 removals.

"While conditions in Vancouver and Victoria are admittedly not the same as those in Winnipeg, and the costs of electrical development at Coquitlam-Buntzen have been necessarily higher owing to greater physical difficulties and for other reasons already indicated, yet the Winnipeg experience places in a striking light the fundamental feature in much other experience in these and similar lines elsewhere.

"In the face of the actual situation in Vancouver and district, as also in Victoria, there is every justification for an immediate lowering of the existing rates for domestic light and power. If this were followed up by an active educational canvass designed to bring home to the ordinary citizens the possibilities of electrical power in an increase of comfort and convenience and a consequent economy of time, energy, discomfort and even money in many cases, the revenues of the Company would in all probability be increased instead of diminished by the change. It is true that the response to lowered rates would be greater with the return of prosperity and the means of supporting a larger population. Hence the reduction recommended for the present is not so great as would be justified under improved conditions, the period or extent of which is just one of those matters which would normally fall to the duty of a properly constituted public utilities commission."

VIII. THE PUBLIC UTILITY AND THE COMMUNITY

THAT the providing of public utility service by a corporation involves the practice of a policy of "give and take" by the community is one lesson that may be gained from a perusal of Dr. Shortt's report. He also points out some of the fallacies the public may fall into in voicing irresponsible criticism against the public service:

"The services of such corporations having once been established in response to the requests and needs of the citizens in outlying portions of modern civic centres, those who have provided themselves with permanent residences in full reliance upon the continuation of services which are of vital interest to them would have a very real grievance against any public utility corporation or municipal body which might lightly deprive them of such indispensable services. A corporation, therefore, which has undertaken to supply these needs has entered into a practical, if not always a strictly enforceable legal obligation to continue a service once established, even through periods of depression and loss, so long at least as there is any reasonable chance of maintaining the service until better times return. Should it be demonstrated that the conditions of operation are such as to involve unavoidable bankruptcy, the service must indeed be abandoned or the conditions of its continuance revised. In such a case, rather than sacrifice the whole service, the citizens in the areas of unprofitable operation may consent to have the rates raised and the frequency of the service curtailed."

Dr. Shortt corrects an impression that competition in public utilities is good for the community:

"It required many years to convince the people of America that there were a number of very essential public utilities which could only be conducted in a manner in the long run satisfactory to all parties interested when they were treated in practice, as they were in point of necessity, as natural monopolies. So long as competition was believed to be the only feasible regulator of trade in a free community, the people of the United States and Canada squandered hundreds of millions of wealth in futile attempts to maintain competition in the same civic centres between rival waterworks, gas works, street railways, and in their earlier days, telephone and electric service plants. However, many years of civic corruption, wretched services, shackled enterprise and forbidden improvements, financial embarrassment, company reconstruction, ending in serial bankruptcy and wastepaper shares, at last taught all those who had any knowledge of business affairs, and who eventually convinced most of their fellow-citizens, that only as natural monopolies could these enterprises be properly conducted; and so they are conducted today in nearly all of the progressive American and Canadian centres, while in most of the others the competing utilities are on the way either to bankruptcy or amalgamation."

IX. PUBLIC UTILITIES COMMISSION

"TO act as a special guardian at once of the citizens who require the services of important public utilities and of the parties who undertake heavy risks and obligations in providing them, is the special duty of a public utilities commission."

This is Dr. Shortt's statement of the need of a public utilities commission in the province. He points out that any adjustment of rates and fares, conditions and quality of service and so forth do not necessarily remain constant for any considerable length of time. He adds:

"There are certainly fundamental economic and social conditions and principles of policy which must remean fairly constant, until at least very radical changes have been effected, but all matters incident to the constant variation of supply and demand, costs of production and margins of profit, rival sectional and individual interests and long and shortsighted views of common interests, are subject to constant variation."

To the end that future citizens may enjoy their fair share of the common privileges, Dr. Shortt says: "Not only wise general laws, but efficient administration, with full information as to the conditions to be dealt with in each case, must be provided to maintain a just and fair balance between all interests where the ordinary free play of competitive business relations and contracts is insufficient to meet such far-reaching conditions, so prolonged in time, so great in magnitude, so permanent in character and so vitally affecting large bodies of citizens."

Dr. Shortt makes this statement regarding the shortsightedness of irresponsible and sectional clamor:

"Nothing, however, is more dangerous and misleading than the constant attempts made to identify with the public interest the merely sectional or class interests of a small but clamorous minority. Under the cry of protecting the public interest against the encroachments of large corporations or other combinations of capital, such small and irresponsible groups would destroy some of the most permanent and essential interests of the public at large. No services, whether public or private, are perfect, but as the smaller services can be safely left to free competition, under general regulations for the public safety, the discontented are able to pass from one to another in the search for something a little less objectionable than the last.

"But when of necessity a service is so large, so general, so vital to the public and involves such large commitments of capital which cannot be readily withdrawn, it cannot be satisfactorily regulated by competition and sooner or later becomes a virtual monopoly. Then the criticism which was sharp but scattered becomes concentrated and at times clamorous. Common experience indicates that while nearly all of the criticism of large corporations, whether private or municipal, is natural, human nature being what it is, much of it is unreasonable, in the sense of being directed against the inevitable, while some of it, and occasionally a great deal of it, is both reasonable and necessary and urgently requires remedy. It is then the primary function of a public utilities commission, by a constant accumulation and intelligent study of the facts, to determine what is and what is not reasonable and justifiable criticism of the public utility services rendered by private corporations, and on the basis of this knowledge to require the

maintenance of a fair and equitable standard of efficiency, such as it is possible and reasonable to afford, and to regulate the rates at which such services can be maintained. In doing so, such a commission will find it necessary not only to protect the public against the unjust and unnecessary encroachments of the corporations, but, to the end that the corporations may be able in the most efficient manner to meet the requirements of the public, to protect them against each other and against short-sighted and irresponsible sectional clamor which, if allowed to determine public policy, would cripple or destroy very essential enterprises involving large investments of wealth, the impairment of which would immediately react to the detriment of the community."

X. FINDINGS AND RECOMMENDATIONS

1. It is the decision of this Commission that an efficient street car service in the City of Vancouver and between the City of Vancouver and the City of New Westminster cannot be maintained under the present condition of competition with the jitneys or public automobile service. The grounds on which this decision has been reached are fully set forth in the body of this report.

2. As the result of the information obtained during the investigation into the economic conditions and operations of the British Columbia Electric Railway Company and subsidiary companies, the following recommendations are made in accordance with the terms of the Commission:

(*a*). Apart from the decision as to the jitney competition, it is recommended that until the financial returns of the street railway service materially improve, as may be determined by reference to any provincial public utilities commission which may be appointed, or by mutual agreement between the municipalities affected and the street railway company, a city population area, as nearly as may be in accordance with the plan given on the map marked "Exhibit 155," be determined, within which fares and free transfers on the existing basis shall be maintained.

(*b*) That free transfers on the street cars to and from this city population area and the outlying districts of the street railway lines be discontinued, and that a conference be arranged between the official representatives of the municipalities affected and the management of the street railway company with a view to the adjustment of rates and service schedules on the lines beyond the city population area, as may be necessary to the maintenance of the best possible service under the present and immediately prospective financial conditions.

(*c*) That, subject to the approval of the parties to the same conference, on certain specified lines, preferably those suggested in Exhibit 151, the operation of one-man cars be given a fair trial with a view to reducing unnecessary costs and maintaining a better service on these routes than might otherwise be possible.

(*d*) That the B. C. Electric Railway Company be authorized, in accordance with the plans proposed in Exhibit 147, to increase the speed limit and by skip stops to improve the service by special through cars between Vancouver and New Westminster.

3. It is recommended:

(*a*) That the rates for domestic light and power on Schedule L. A., which at present run from 11 cents to 5 cents per k.w.h. for a monthly consumption between 50 and 500 k.w.h. and subject to a 20 per cent. discount if paid within ten days, shall be reduced from January 1, 1918, to net rates of 8 cents to 4 cents, and proportionately for the intermediate rates of the schedule; that on the 1st of January, 1919, these rates shall be reduced to 7½ cents to 4 cents, and on January 1, 1920, to 7 cents to 4 cents, and the intermediate rates proportionately.

(*b*) That some proportionate reduction in rates shall take place in the schedule for domestic meters, applying to the districts adjoining Vancouver and which at present start with a 15-cent rate.

(*c*) That the meter rental of 15 cents under Schedule L. A. be discontinued and that a minimum charge of 50 cents per month be required from each consumer.

(*d*) That where the security deposit of $3 is retained, interest shall be allowed on it at the rate of 6 per cent.; where the deposit is not retained a surcharge of 10 per cent. may be added to all accounts overdue for twenty days.

(*e*) That should the financial condition of the Company continue to improve during the next two years, a further reduction in electric light and power rates should be made on Schedule L. A., as also on several of the higher rates of some of the other schedules, especially those affecting smaller consumers of power. Should, however, in the meantime a public utilities commission be appointed, this recommendation will not be required.